

Financial Literacy

Instructor Guide

Objectives

- Define financial literacy.
- Emphasize the importance of early awareness as it relates to financial literacy.
- Highlight important information regarding paying for college, budgeting, and building credit that counselors and mentors should share with students and families.
- Offer tips to counselors to share with students and families.
- Provide counselors with additional resources to offer students and families.

Materials

- PowerPoint Presentation
- Instructor's Guide
- Financial Literacy Resources Handout

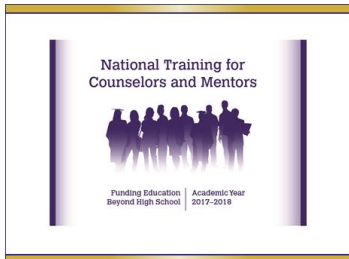
Trainer Tips

- This instructor's guide is just that, a guide. If you feel more comfortable training from the PowerPoint presentation, feel free to do so.
- The material should allow plenty of time for questions.
- Some of the topics in this presentation (e.g., federal student aid) are covered in other NT4CM modules. Please refer to those modules if you would like to incorporate more information regarding those topics into this presentation.

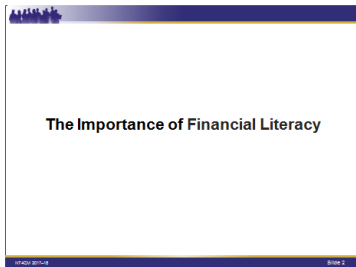
PowerPoint Outline

Slide Thumbnail

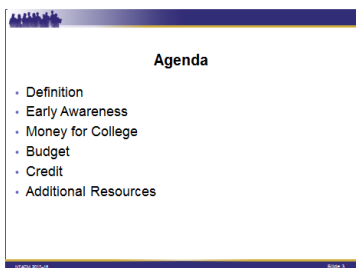
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Content

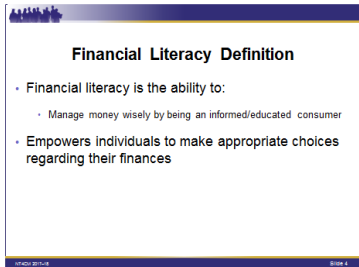
NT4CM Logo

The Importance of Financial Literacy Title Slide

Session Agenda

- Definition
- Early awareness
- Money for college
- Budgeting
- Credit
- Additional Resources

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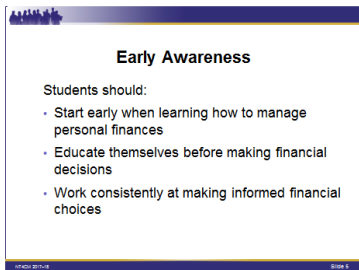
Financial Literacy Definition

- Financial literacy is the ability to:
 - Manage money wisely by being an informed/educated consumer
- Empowers individuals to make appropriate choices regarding their finances

Definition

- Financial literacy is the ability to understand how money works and how to manage it; making wise decisions and meeting financial goals and needs.
 - Empowers individuals to make appropriate decisions regarding their personal finances both now and in the future.

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Early Awareness

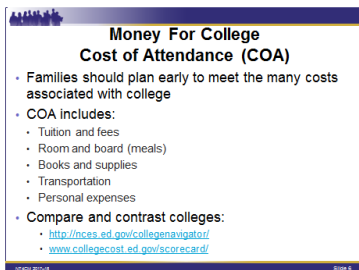
Students should:

- Start early when learning how to manage personal finances
- Educate themselves before making financial decisions
- Work consistently at making informed financial choices

Early Awareness

- Start early when learning how to manage personal finances
- Students should educate themselves before making financial decisions
- Students should read information about money management, research before making large purchases, and speak with informed sources before making financial decisions that have a significant impact on their future.
- Students must work consistently to make informed decisions related to personal finances.
 - For example, create a realistic budget and keep a checklist of financial goals and priorities.

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**Money For College
Cost of Attendance (COA)**

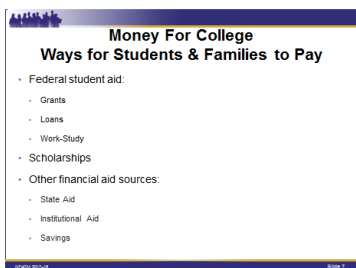
- Families should plan early to meet the many costs associated with college
- COA includes:
 - Tuition and fees
 - Room and board (meals)
 - Books and supplies
 - Transportation
 - Personal expenses
- Compare and contrast colleges:
 - <http://nces.ed.gov/collegenavigator/>
 - www.collegecost.ed.gov/scorecard/

Cost of Attendance (COA)

- Families should plan early to meet the many costs associated with college.
- COA for college includes:
 - Tuition and fees;
 - Room (housing) and board (meals);
 - Books and supplies;
 - Transportation; and

- Personal or miscellaneous expenses.
- ➔ *Students and families often don't know what college costs. Before continuing, engage participants in a discussion of students' and families' perceptions of college costs. Some questions to pose include:*
 - *Do students consider the cost of transportation and personal or miscellaneous expenses when they consider college costs?*
 - *Do students and families tend to under or overestimate college costs? Why?*
 - *Do students and families look at college costs one year at a time, or for the student's entire college career?*
 - *What are the advantages or disadvantages for students to consider costs for their entire education instead of one year at a time?*
 - *How do you help students compare college costs? (websites)*
- Compare and contrast information about colleges such as graduation and retention rates as well as annual costs:
 - ◆ <http://nces.ed.gov/collegenavigator/>
 - ◆ [. www.collegecost.ed.gov/scorecard](http://www.collegecost.ed.gov/scorecard)

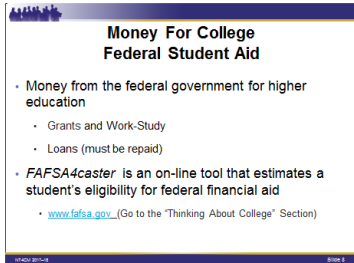
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Ways for Students and Families to Pay

- Federal Student Aid
- Grants, Loans & Work-study
- Scholarships
- Other Financial Aid Resources
- State and Institutional Aid
- Savings

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**Money For College
Federal Student Aid**

- Money from the federal government for higher education
 - Grants and Work-Study
 - Loans (must be repaid)
- **FAFSA4caster** is an on-line tool that estimates a student's eligibility for federal financial aid
 - www.fafsa.gov (Go to the "Thinking About College" Section)

Federal Student Aid

- Federal student aid is money (grants, work-study, and loans) from the federal government to help students pay for college. Grants & Work-Study are financial aid programs where money does not have to be repaid. Loans have to be repaid.
- **FAFSA4caster** is an on-line tool that estimates a student's eligibility for federal student aid.
 - Students and families can use this estimate as a guide as they plan to meet college costs.

Note to Instructor: You may want to review the information in the NT4CM Applying for Federal Financial Aid module to prepare for this discussion.

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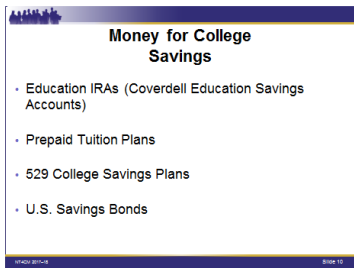
**Money for College
Federal Student Aid**

- Students apply for federal student aid by filling out the Free Application for Federal Student Aid (FAFSA) at www.fafsa.gov
- You will need to create an FSAID to complete your FAFSA <https://fsaid.ed.gov>
- Apply YEARLY and EARLY!!!
- Some money is first come, first serve. Be diligent when searching for aid
- Note: Search for both financial aid and scholarships

Federal Student Aid

- Students apply for federal student aid by filling out the Free Application for Federal Student Aid (FAFSA) at www.fafsa.gov. Be sure and obtain your FSA ID at: <https://fsaid.ed.gov>
- Apply yearly & early!!!! As soon after October 1 as possible.
- Each year in college, make sure you fill out the form

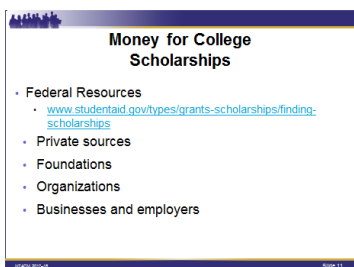
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Savings

- Education IRAs, also known as Coverdell Education Savings Accounts, are tax-deferred and allow savings up to \$2,000 a year per student.
 - Earnings can be withdrawn tax-free for educational expenses.
- Prepaid tuition plans are state-specific and rise in value at the same rate as college tuition.
- 529 college savings plans are tax-deferred accounts with high contribution limits and no parental income restrictions.
- U.S. savings bonds are backed by the full faith and credit of the U.S. government.
 - Paper bonds may be purchased as gifts for a minor.
 - Mature slowly and at a low rate of return.

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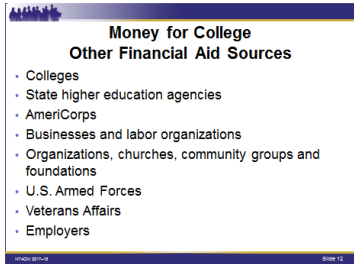
Scholarships

studentaid.gov

- Links to federal sources such as the U.S. Department of Education and the U.S. Department of Health and Human Services.
- Check the websites of these federal agencies for scholarship information.
- Consider private sources such as foundations, community organizations, churches, and local businesses and employers for scholarships.
- There are often many scholarships that are discipline or major specific, consider checking with various professional associations and agencies

Note to Instructor: More information about searching for scholarships and avoiding scholarship fraud can be found in the NT4CM module Searching for Scholarships.

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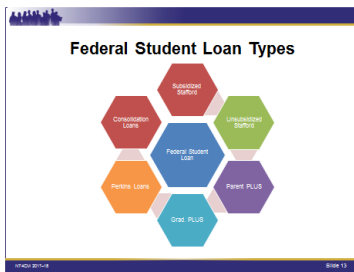


Other Financial Aid Sources

- Colleges
- State higher education agencies
- AmeriCorps
- Businesses and labor organizations
- Organizations, churches, community groups and foundations
- U.S. Armed Forces
- Employers

Note to Instructor: Information about federal sources of financial aid is in the NT4CM module, Overview of Financial Aid Programs

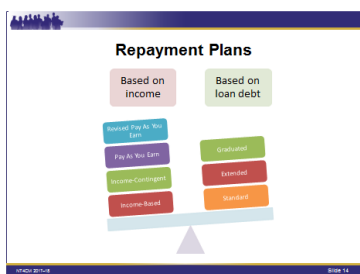
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Current Federal Student Loan Types

- The federal government offers a variety of different loan options
- Perkins- Institution is the lender for federal dollars.
- Direct Stafford Subsidized and Unsubsidized loans
 - ◆ Subsidized the government is responsible for paying the interest on your loan
 - ◆ Unsubsidized, you are responsible for paying the interest on your loan
- Parent/Grad PLUS
 - ◆ You must not have an adverse credit history

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Repayment Plans-FFEL and Direct Loans

- There are many options regarding loan repayment
- There is a standard 10- year repayment
- Or 25- year repayment options
- Some loan repayment plans are income-driven while others are based on loan debt
- Loan Forgiveness is also available for federal student loans
- Visit www.studentaid.gov for more information. Now available - Revised Pay as Your Earn (REPAYE) repayment plan . Payments under this plan will be no more than 10 percent of the borrower's adjusted gross income, minus 150 percent of the **poverty guidelines** for their family size. Borrowers with negative results from this calculation will have a monthly payment of \$0 .

If a borrower only has undergraduate loans under the REPAYE plan, forgiveness of any remaining balance will occur after 20 years . Borrowers with graduate loans, or both undergraduate and graduate loans, will enjoy forgiveness after 25 years. As with all the income-driven repayment plans, forgiveness benefits will be taxable as income.

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Repayment Checklist Graphic

- A repayment checklist is important to have to remember the financial aid journey. There are important parts of repayment that should be used to help you remember your responsibilities
- For more information go to: www.studentaid.gov/repaymentchecklist

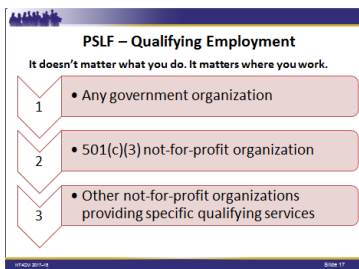
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Public Service Loan Forgiveness Program (PSLF)

- The PSLF Program is intended to encourage individuals to enter and continue to work full-time in the public sector. Under this program, borrowers with Direct Loans may qualify for loan forgiveness of the remaining balance of their loans after they have made 120 qualifying payments on those loans while employed full time by certain public service employers.
- Payments must be made under a qualifying repayment plan.

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Public Service Loan Forgiveness Program - Qualifying Employment

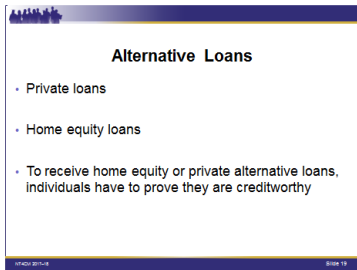
- Certain jobs do qualify for PSLF
- When you make each of those payments, you must be working full-time at a qualifying public service organization.
- For more information look at the following PSLF fact sheet: <https://studentaid.ed.gov/sa/sites/default/files/public-service-loan-forgiveness.pdf>

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- Not every federal repayment plan qualifies for PSLF
- For more information on qualifying plans, go to: <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service#qualifying-repayment-plan>

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Alternative Loans

- Private loans
- Home equity loans
- To receive home equity or private alternative loans, individuals have to prove they are creditworthy

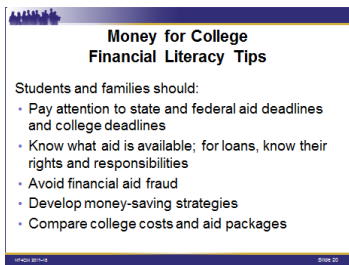
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Alternative Loans

- To receive home equity or private loans, individuals have to prove that they are creditworthy.
 - These loans may have a higher interest rates and less flexible repayment options than federal student loans. Counselors should advise students and families to consider other payment options before loans (e.g., grants and scholarships, college savings, paying out of pocket, etc.).

Borrowed money (loans) should be treated as a last-resort when paying for educational expenses.

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**Money for College
Financial Literacy Tips**

Students and families should:

- Pay attention to state and federal aid deadlines and college deadlines
- Know what aid is available; for loans, know their rights and responsibilities
- Avoid financial aid fraud
- Develop money-saving strategies
- Compare college costs and aid packages

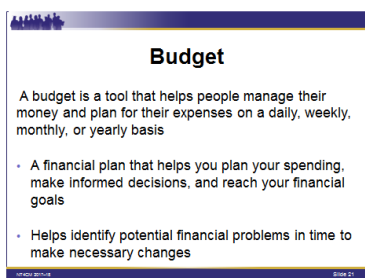
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Financial Literacy Tips

- Students and families should:
 - Pay attention to college, state, and federal aid deadlines.
 - ◆ Vary by college and state.
 - Know what aid is available.
 - ◆ Counselors should discuss with students and families the difference between grants (usually need-based) and scholarships (usually merit-based).
 - ◆ For some it may be helpful to think about time invested in applying for scholarships as potential hourly pay return
 - For loans, students should know their rights and responsibilities.
 - ◆ Regarding loans, counselors should advise students and families to avoid borrowing the maximum amount offered and to borrow only what they can afford to repay. A good rule of thumb is to borrow no more than you expect to earn your first year after leaving school.
 - Avoid financial aid scams (e.g., paying to file the FAFSA or apply for scholarships).
 - Develop money-saving strategies.
 - ◆ Rent or buy used textbooks, take advantage of student discounts, explore CLEP exams, and use the Internet at your school's library instead of paying for Internet service. Look at college classes to take while in high school.

Think about budgeting for completion it is important to think about how

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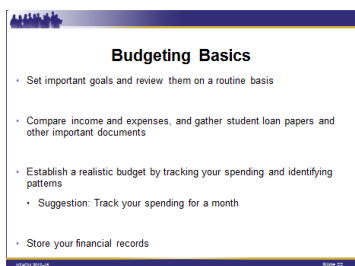
Budget

A budget is a tool that helps people manage their money and plan for their expenses on a daily, weekly, monthly, or yearly basis

- A financial plan that helps you plan your spending, make informed decisions, and reach your financial goals
- Helps identify potential financial problems in time to make necessary changes

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Budgeting Basics

- Set important goals and review them on a routine basis
- Compare income and expenses, and gather student loan papers and other important documents
- Establish a realistic budget by tracking your spending and identifying patterns
 - Suggestion: Track your spending for a month
- Store your financial records

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an individual or family will pay for each semester required to complete a degree and what resources (loans, scholarship, grants and savings) may be available at what time.

- Compare college costs and aid packages.
 - ◆ Counselors should remind students and their families that each college has a different cost of attendance, so when they compare schools, they should be careful to compare the same factors of cost (e.g., cost of books, transportation).
 - ◆ Remind families to look at how long the aid is available (one semester, one year, four years or until graduation) and what requirements are in place to maintain the aid.

Note to Instructor: Included in the NT4CM resource materials counselors can use with their students are worksheets to compare costs and financial aid packages among colleges.

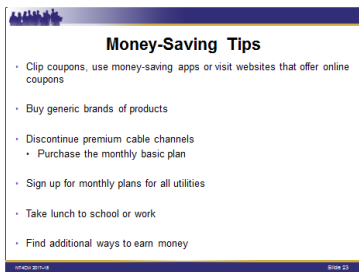
Budget (or Spending Plan)

- A budget is a tool that helps people manage their money and plan for their expenses on a daily, weekly, monthly or yearly basis
- A budget is an estimate of income and expenses for a period of time.
- OR A budget is a tool that helps people manage their money and plan their expenses on a daily, weekly, monthly or yearly basis.
- A financial plan that helps you plan your spending, make informed decisions, and reach your financial goals
- Helps identify potential financial problems in time for individuals to make necessary changes.

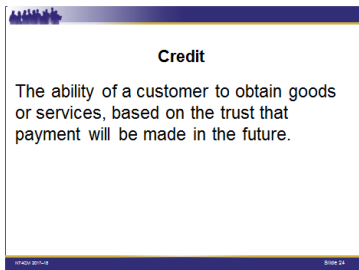
Budgeting

- Steps to budgeting:
- Track your spending for at least one month.
 - Identify all sources of income and evaluate your expenses;
 - Prioritize your expenses to help you reach your goals;
 - Establish a realistic budget based on your spending patterns; cut back in areas if necessary;
 - Find the budget strategy that's right for you (pencil and paper, envelope system, online program, smartphone app); and

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- ➔ Store necessary financial records
- ➔ Before proceeding, let participants know that an online budget worksheet is available at:
<http://mappingyourfuture.org/money/calculators.cfm>

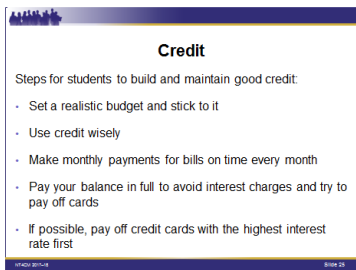
Budgeting

- Budgeting helpful hints for families:
 - Clip coupons, use money- saving smartphone apps or visit websites that offer coupons online;
 - Buy generic brands of products;
 - Shop at discount stores, consignment shops and garage sales;
 - Review your cellphone plan and adjust it, if you're paying for more than you typically use.
 - Sign up for monthly plans for all utilities
 - Take lunch to work or school and limit dining out.
 - Find additional ways to earn money

Credit

- Credit is the ability of a customer to obtain goods or services based on the trust that payment will be made in the future.
 - Good credit helps borrowers qualify for lower interest rates when purchasing large items such as a home or car.
 - Poor credit can affect job opportunities, insurance rates, interest rates and future access to credit.
- A good credit rating is developed over time, not overnight.

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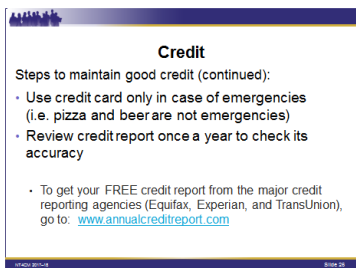


Credit

Steps for students to build and maintain good credit:

- Set a realistic budget and stick to it
- Use credit wisely
- Make monthly payments for bills on time every month
- Pay your balance in full to avoid interest charges and try to pay off cards
- If possible, pay off credit cards with the highest interest rate first

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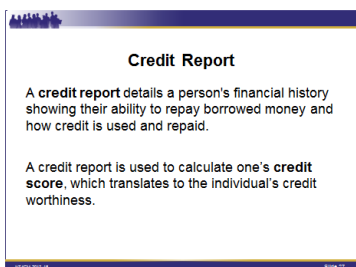


Credit

Steps to maintain good credit (continued):

- Use credit card only in case of emergencies (i.e. pizza and beer are not emergencies)
- Review credit report once a year to check its accuracy
- To get your FREE credit report from the major credit reporting agencies (Equifax, Experian, and TransUnion), go to: www.annualcreditreport.com

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Credit Report

A **credit report** details a person's financial history showing their ability to repay borrowed money and how credit is used and repaid.

A credit report is used to calculate one's **credit score**, which translates to the individual's credit worthiness.

Credit

- Steps for students to build and maintain good credit:
 - Set a realistic budget and stick to it;
 - Use credit wisely; avoid using credit to fund a lifestyle you can't afford;
 - Make monthly payments on time every month;
 - Pay balance in full to avoid interest charges;
 - Try not to use more than 30% of your available credit;
 - Be mindful of your debt to income ratio when using credit.

- Use credit cards only for emergencies;
- Review credit report at least once a year to check its accuracy;
 - ◆ There are three major credit reporting agencies (Equifax, Experian, and TransUnion),
 - ◆ Students should annually review each report from each agency, and

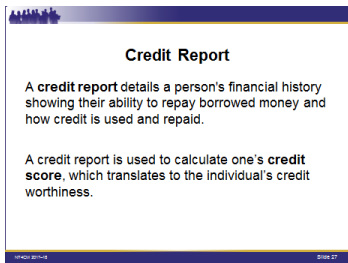
Students can request one free copy of their credit report from each major credit reporting agency each year.

Note: Annualcreditreport.com is the only source for a free credit report authorized by federal law.

Credit Report

- A credit report is a 7-10 year snapshot that details a person's financial history specifically related to their ability to repay borrowed money. That information translates to one's credit score, which translates to the individual's credit worthiness.
 - Tells a lender how likely an individual is to repay a loan and make timely payments.
- Lenders typically grant credit based on three Cs.
 - Character = how a person has handled past debt obligations.
 - Capacity = how much debt a borrower can comfortably handle.

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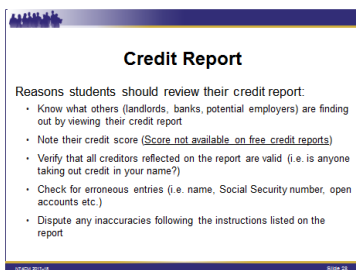


Credit Report

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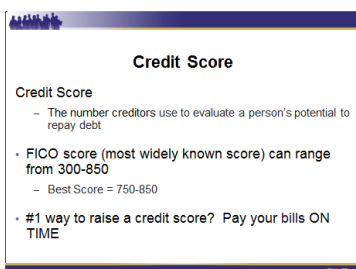


Credit Report

Reasons students should review their credit report:

- Know what others (landlords, banks, potential employers) are finding out by viewing their credit report
- Note their credit score (Score not available on free credit reports)
- Verify that all creditors reflected on the report are valid (i.e. is anyone taking out credit in your name?)
- Check for erroneous entries (i.e. name, Social Security number, open accounts etc.)
- Dispute any inaccuracies following the instructions listed on the report

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Credit Score

Credit Score

- The number creditors use to evaluate a person's potential to repay debt

• **FICO score** (most widely known score) can range from 300-850

- Best Score = 750-850

• **#1 way to raise a credit score?** Pay your bills ON TIME

- Capital = a person's financial assets available to pay off debt if income is insufficient.

Some credit counselors believe it is more accurate to talk about the five C's the last two are: **Collateral** – used for secured loans only – i.e. what will back the loan in case of default and **Conditions** – the purpose of the loan as well as economic conditions

Question: Do we add a comment that federal student loans are credit based except for PLUS?

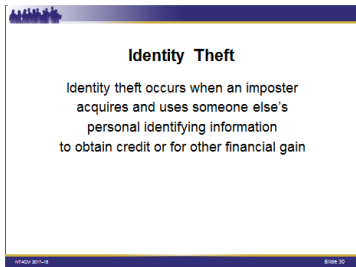
Credit Report

- Reasons students should review their credit report:
 - Know what others (landlords, financial institutions, potential employers) are learning by viewing their credit report; and
 - Dispute any reporting errors.
 - Verify all creditors reflected on the report are valid
 - Check for erroneous entries
 - Dispute any inaccuracies following the instructions listed on the report
 - Note: A credit check is performed during the application process for the PLUS loan given to graduate students and parents

Credit Score

- A credit score is the number creditors use to evaluate a person's potential to repay debt.
- The Fair Isaac Corporation or FICO score (most widely known score) can range from 300-850.
- Best scores typically fall in the range of 750-850, but what's considered good or bad depends on the current economy.
- #1 way to raise a credit score – pay bills on time.

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Identity Theft

Identity theft occurs when an imposter acquires and uses someone else's personal identifying information to obtain credit or for other financial gain

VIDEO REVIEW

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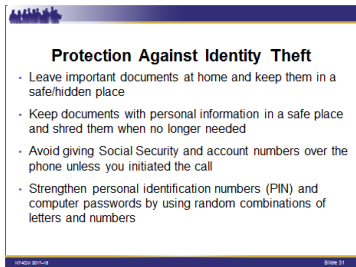
Identity Theft

- Identity theft occurs when an imposter acquires and uses someone else's personal identifying information to obtain credit or for other financial gain
- More victims report that they know the person who fraudulently used their personal information.

Protect Against Identity Theft

- Ways students can protect against identity theft:
 - Leave important documents such as Social Security cards at home or in a safe/hidden place
 - Keep documents with personal information in a safety deposit box or fire-proof lock box, cabinet or safe
 - Shred documents with personal information when no longer needed.
 - Avoid giving Social Security and account numbers over the phone unless you initiated the call.
 - Create stronger personal identification numbers (PINs) and computer passwords by using random combinations of letters and numbers.

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Protection Against Identity Theft

- Leave important documents at home and keep them in a safe/hidden place
- Keep documents with personal information in a safe place and shred them when no longer needed
- Avoid giving Social Security and account numbers over the phone unless you initiated the call
- Strengthen personal identification numbers (PIN) and computer passwords by using random combinations of letters and numbers

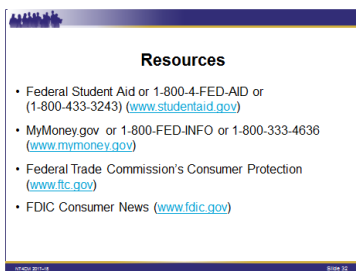
VIDEO REVIEW

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Resources

- The following are resources regarding federal financial education materials, money and credit management, and fraud prevention:
 - Federal Student Aid or 1-800-4-FED-AID;
 - MyMoney.gov or 1-888-Money;
 - Federal Trade Commission;
 - FDIC Consumer News;
 - Mapping Your Future

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Resources

- Federal Student Aid or 1-800-4-FED-AID or (1-800-433-3243) (www.studentaid.gov)
- MyMoney.gov or 1-800-FED-INFO or 1-800-333-4636 (www.mymoney.gov)
- Federal Trade Commission's Consumer Protection (www.ftc.gov)
- FDIC Consumer News (www.fdic.gov)

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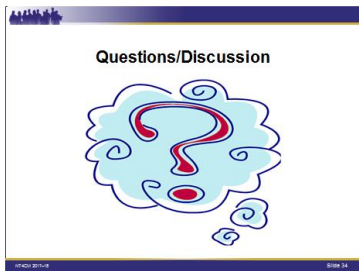
Resources

- Navigating Your Financial Future (www.navigatingyourfuture.org)
- Institute for Financial Literacy (www.financiallit.org)
- College Savings Plan Network (www.collegesavings.org)
- Young Americans Center for Financial Education (www.yacenter.org)
- JumpStart Coalition for Personal Financial Literacy (www.jumpstart.org)
- Mapping Your Future (www.mappingyourfuture.org)


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- Navigating Your Financial Future;
 - Institute for Financial Literacy; and
 - College Savings Plan Network.
- ➔ *Refer counselors to the Financial Literacy Resources handout for detailed information regarding these websites and toll-free numbers.*

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Questions/Discussion



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Questions?

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